

DD/S 71-0316

MEMORANDUM FOR: Executive Director-Comptroller

Colonel White:

Attached is a report from the ad hoc committee I convened to come up with ideas on what the Agency might do to assist employees in financial catastrophes in medically related situations. I think their recommendations are valid and we should follow up to implement them if feasible.

The committee confined its recommendations to situations where they had reason to believe something could be done. The Deputy General Counsel offers a suggestion for consideration which the committee did not include because they were in no position to determine if it were legal or feasible. It is as follows:

"The Agency request an underwriter to calculate the cost of an insurance program to cover catastrophe cases involving Agency employees and dependents. The entire cost of the program, if it is determined to be reasonable, would be borne by the Agency. Firm guidelines would be established limiting coverage to appropriate financial hardship cases. Alternatively, the Agency could examine the legality and feasibility of establishing a catastrophe 'self-insurance' program within specific parameters."

I believe that if we could define the parameters of a medical catastrophe, its cost, and the legality of the Agency paying the insurance premium or "self-insurance," this would be the answer to our problem. I therefore recommend that the Director of Personnel and the OGC work together to determine the general aspects of such a program and if there are precedents or laws which would enable the Agency to use appropriated funds in support of it.

MORI/CDF
Pages 9 & 10

John W. Coffey

Attachment

2/9/71
hand carried to Col. White. see
M.F.R. dtd 10 Feb regarding Col. White's
observations. *WCC*

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DD/S 70-4991

MEMORANDUM FOR: Deputy Director for Support

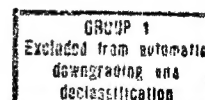
SUBJECT : Study for Proposals to Assist Employees and Dependents in Financial Catastrophes Resulting From Medically Related Conditions

1. This memorandum contains recommendations for your consideration in paragraph 5.

2. In accordance with instructions given us by you on 12 November 1970, we have considered possible methods of relieving the long-term burdensome indebtedness to which employees may be subjected because of medical problems involving themselves or their dependents. Without any specific examples of the types of cases for which relief should be provided, we decided to also consider medically-related situations involving expenses which exceeded or were outside our present Health Insurance Plan, and to evaluate the possible failure of some employees to subscribe to health insurance. Expenses resulting from illness or injury occurring under circumstances covered by the Federal Employees' Compensation Act or the Overseas Medical Benefits Program were also considered. Death cases, unless preceded by lengthy illness, were excluded because a variety of adequate Agency-sponsored life insurance programs are now available.

3. An examination of specific problem areas reveals the following:

a. Possible failure of some employees to carry hospitalization insurance -- Agency records disclose that approximately 1,000 employees are not enrolled in a government-sponsored health insurance plan. Although a precise determination is not possible without canvassing these employees, it is believed that a high percentage of them are insured either under insurance carried by their spouse or under some external insurance program.

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b. Expenses which exceed the \$30,000 major medical maximum of the Agency-sponsored Hospitalization and Surgical Plan -- In a few instances medical expenses incurred by employees have exceeded the present \$30,000 limitation; thereafter the plan pays a maximum of \$1,000 per year and all expenses in excess of that amount must be borne entirely by the employee. The severity of this result is reduced somewhat by the fact that present legislation requires the Civil Service Commission to designate open registration periods at least once each three years. During these periods employees may transfer from one insurance plan to another, thus making it possible for an employee who has exceeded or is about to exceed the maximum coverage under one plan to take advantage of the full amount of coverage offered by any other plan. It is to be expected however that in isolated instances expenses will substantially exceed \$30,000 before an open period occurs.

c. Expenses not covered by hospitalization and surgical insurance plans -- Certain types of medical conditions customarily involve expenses which are not compensated for by presently available insurance plans. Such expenses most commonly result from the need to provide continuing custodial care for a dependent incapable of caring for himself, or the need to provide special training for a dependent who is physically or mentally handicapped. Attachment 1 outlines several actual cases of this nature involving continuing costs borne by Agency employees.

4. The following additional considerations should also be taken into account:

a. Local jurisdictions offer varying forms of assistance for the care and treatment of mentally or physically handicapped persons. The provisions of the D. C., Virginia and Maryland statutes are summarized in attachment 2. Some State facilities are, however, of questionable quality and State assistance programs, although provided for by statute, may be inadequately funded.

b. A preliminary inquiry into industry medical programs has disclosed no program which provides coverage superior to that presently offered by this Agency.

c. Present hospitalization insurance coverage can be increased in a variety of different ways, each of which would involve some increase in premium. We expect that increasing present coverage from \$30,000 to \$50,000 would provide the greatest additional benefit at the smallest increase in premium.

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d. The Public Services Aid Society (PSAS) is in a position to offer limited assistance to employees faced with financial emergencies. Only a major expansion of PSAS resources would enable the Society to absorb the high costs which result from major medical problems.

e. Under its Overseas Hospitalization Program, the Agency pays the cost of treatment as an in-patient at an approved hospital or clinic for an illness or injury incurred or materially aggravated while assigned abroad, not the result of vicious habits, intemperance or willful misconduct. Out-patient expenses associated with in-patient care are also reimbursable under the Program. It has been Agency practice to limit payments to a period of one year from the first day of expense reimbursed by the government.

In providing overseas hospitalization benefits to dependents, the Agency has adopted the State Department's statutory authority and regulations which limit the period of treatment at government expense to 120 days within a one year period from the first day of treatment at government expense. Reimbursement is made only for that portion of the cost of treatment that exceeds \$35.00. Extensions may be approved upon a finding by the Director of Medical Services that the illness or injury was clearly caused or materially aggravated by having been located abroad.

When an employee or dependent who is eligible for benefits is located in an area where there is no qualified person or facility to provide appropriate medical treatment he is eligible for travel at government expense to the nearest locality where suitable medical care can be obtained, whether or not the medical care itself is to be provided at government expense. This eligibility may include travel for such conditions as obstetrical care, emergency dental care and out-patient treatment not related to in-patient hospitalization.

f. Members of the uniformed armed services and their dependents are provided comprehensive medical care at modest cost in Uniformed Services facilities, or in civilian facilities under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). CHAMPUS benefits are available only to the extent that costs are not covered by medical insurance. Included in CHAMPUS is a provision for partial coverage of expenses resulting from training, rehabilitation, and institutional care of dependents who are seriously physically handicapped or moderately or severely mentally retarded. Such coverage

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is excluded in health insurance policies and no similar programs are now available to civilian government employees or their dependents.

g. New legislation could be drafted which would permit the Agency to assist employees faced with extremely high medical expenses. On 11 December 1970, a Catastrophic Health Insurance Program was reported favorably by the Senate Finance Committee as part of the omnibus Social Security amendments of 1970. This legislation, although not acted upon by the Senate, may be reintroduced in the next Congress. Because the medical problems faced by CIA employees in this country are similar in nature to the problems of other government employees, it is questionable whether special legislation benefiting only CIA employees could be justified to the Congress.

h. Any plan providing for reimbursement of major medical costs should include some mechanism for evaluating the reasonableness of the charges incurred. Reimbursement should be limited in some way if an employee elects to undertake a very expensive plan of treatment even though adequate care may be available at much less cost.

5. Based on the above considerations, we recommend that:

a. The Civil Service Commission be requested to designate open registration periods for health insurance plans at least annually. This action is within the Commission's existing authority and no increase in our insurance premiums should result. By changing insurance plans each year an employee would be provided reimbursement up to \$30,000 each year for as many years as there are plans.

b. The underwriter of the Agency-sponsored plan be requested to calculate the cost of increasing the upper limit of our present health insurance plan from \$30,000 to \$50,000. If the cost to each individual is relatively small and the prospects for annual open registration periods are not favorable, the increase should be effected.

c. The one-year time limit for medical benefits for an illness or injury incurred by an employee while abroad be eliminated. This is within the Director's authority. With regard to illness or injury incurred

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by dependents while abroad, it is recommended that the 120-day limitation on paying medical expenses for dependents be extended upon a finding by the Director of Medical Services that the illness or injury was caused or materially aggravated by having been located abroad and that the Director of Medical Services liberally interpret the new provision.

d. All employees be strongly urged to carry some form of health insurance, and those who decline to subscribe through this Agency should be required to do so in writing (similar to the procedures now followed for Federal Employees Group Life Insurance).

e. The Agency establish a mechanism to advise and assist employees in taking advantage of Federal, State and charitable assistance programs dealing with custodial and rehabilitation problems.

f. The Agency calculate the cost of a program which would provide benefits equivalent to the CHAMPUS Handicapped Program of the military services and, based on the projected cost and the likelihood of favorable Congressional reaction, consider the drafting of appropriate legislation. This would be a "first" for civilian agencies.

g. If the Catastrophic Health Insurance Program referred to in paragraph 4 g above is reintroduced in the Congress, the Agency should assume the initiative in obtaining similar benefits for all government employees.

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ATT-1

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Patient: Son with Cerebral Dysfunction. Has been in [redacted]
 [redacted] for several years. [redacted] charges = \$8,400/yr.
 Currently has used \$20,600 of Major Medical Benefits.

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Insurance Pays : \$3,360/yr. ✓

Employee (Super Grade) Pays: 5,040/yr.

Patient: Daughter confined for long term psychiatric care. Hospital charges are approximately \$2,500 per month. Currently has used \$3,000 in Major Medical Benefits.

Insurance Pays : \$2,000 per month

Employee (GS 13) Pays : 500 per month

Possibility that patient will be in hospital beyond date that \$30,000 Major Medical Benefits will be reached. Another family member is under outpatient psychiatric treatment.

STAT

Patient: Daughter with suspected brain damage at birth. Resident of [redacted]
 [redacted] where charges are approximately \$800 per month.

STAT

Insurance Pays : Nothing

Employee (GS 12) Pays : \$800 per month

Insurance pays nothing because Center, which is essentially a special residential school for handicapped children is not a covered expense of health insurance plans. The Center is recognized for benefits by CHAMPUS under its "handicapped" program.

Patient: Retired employee had long stay in hospital for cancer. Exhausted \$30,000 Major Medical Benefits. Died in a nursing home. Liquidation of part of estate by executor was necessary to pay nursing home bills. ✓

DD/S 70-4685

ATT-2

OGC 70-1995

30 November 1970

MEMORANDUM FOR: Executive Officer, DD/S

SUBJECT: Benefits for Handicapped Children in
Maryland, Virginia and the District
of Columbia

In accordance with your request of 24 November 1970, listed below are various statutes of Maryland, Virginia, and the District of Columbia, which cover public aid available to handicapped children, excluding visually handicapped and drug addiction cases.

1. Maryland: To meet the needs of any child whose handicap is physical, mental and/or emotional, and whose needs are not met by ordinary school facilities, cities and counties are authorized by Maryland statutes to expend up to \$1,000.00 per child toward the cost of teachers, special equipment, nursing, therapeutic treatment, transportation and other necessary operation costs. In counties or cities which do not provide for special programs for handicapped children, the statute provides that parents will be reimbursed by the State of Maryland up to \$1,000.00 per child for costs of such children attending approved special schools within or outside the state. See Section 100 (a), (b) and (c) of Article 77 of the Code of Maryland.

2. Virginia: The State of Virginia also provides special programs to educate and train physically handicapped, emotionally disturbed and mentally retarded individuals without regard to whether they are of school age. From funds provided by law, the State Board of Education may assist local school divisions to employ and pay teachers to construct special classes for the handicapped, including speech defective children, homebound

children and adults confined to hospitals, and children who require other special instruction whether by reason of mental retardation, cerebral palsy, physical deficiency or otherwise (Title 22, Section 9.2, Code of Virginia (1950)). Any child enrolled in and attending a special class or program mentioned above shall be entitled to transportation to and from such school at public expense (Title 22, Section 9.2:1, Code of Virginia (1950)).

3. District of Columbia: The Board of Public Welfare of the District of Columbia is authorized to make payments in money, medical care, remedial care, goods or services to needy recipients who meet the residency requirements (generally one year immediately preceding application) of the District of Columbia. The amount of public assistance which any person shall receive shall be determined by the Board of Public Welfare. See Title 3 of the District of Columbia Code (1967)

Also, the District Training School has been established for the custody, care, education, training and treatment of feeble-minded persons. Under Section 603 of Title 32 of the District of Columbia Code (1967), a feeble-minded person shall be construed to mean any person afflicted with mental defectiveness from birth or from an early age, so pronounced that he is incapable of managing himself and his affairs, or being taught to do so, and who requires supervision for his own welfare, and is not insane or of unsound mind to such extent as to require his commitment to Saint Elizabeth's Hospital.

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Office of General Counsel

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